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OUR PHILOSOPHY

We believe that the Earth is the birthright of ALL MANKIND.

We recognise that for many purposes it is essential for individuals to have exclusive possession and security of tenure of land AS GIVEN BY THE EXISTING FREEHOLD SYSTEM OF LAND TENURE.

We believe that those who have exclusive possession of land should COMPENSATE SOCIETY for being excluded therefrom.

We believe that such compensation paid annually would meet the costs of Government and permit Society to abolish all taxes on LABOUR and on goods produced by labour.

LAND TAX SUBMISSION

Presented by R. S. Brownlee, FCPA, ACIS, CIA,
to the Victorian Government Inquiry

1. As a retired accountant who sees land tax as a preferred source of government revenue, I wish to comment on features of the Victorian Land Tax Act which stifle its revenue potential and to present my views on how land tax could be applied to raise more revenue from this source and less from other taxes.

The Desirability of Land Tax

2. Because land values arise from the existence of communities and grow as populations and community facilities increase, it is logical for such values to be taxed to raise government revenues for community needs. As just one example of this principle, attention is drawn to a report submitted to the Victorian Public Accounts Committee of Inquiry on Railways in 1972 by the Land Values Research Group of The Henry George League; Appendix A hereto contains the Summary and Conclusions of that report.
3. Land Tax has other virtues than its revenue potential for governments. It reduces inflation, by discouraging speculation in land, and it enables property buyers to acquire land more cheaply and thus with lower mortgages; moreover the lowered demand for mortgage finance reduces interest rates. It can thus be a boon to home buyers and small businesses, and it can reduce unemployment because of the enhanced business opportunities. A book published last year by Dr.

Les Hemingway spells out these and other benefits of what he terms "Rent as Revenue". Attached is a review of that book by The Hon. Clyde Cameron (Appendix B) and a reproduction of the book's graphic cover (Appendix C).

The Rate Scale and the Aggregation Principle

4. The present multi-graded scale of land tax rates, whereby most landowners pay nothing whilst others pay at rates that vary according to the total value of all their holdings, leaves the Victorian Land Tax open to being thought of as a wealth tax. If the tax is to gain community-wide acceptance it should be at a flat rate as with site value rating by municipalities. Wealthy people generally own the more valuable sites which attract more tax anyway, so there is no cause for penalty rates. Abandonment of the tax threshold can to a large extent be replaced by a more equitable Home Owners' Concession as proposed later herein.
5. The aggregation principle, which is complex, would disappear with adoption of a flat rate of tax. The same tax should be paid on all blocks that are adjudged to be equivalent in value. The number of blocks owned should not affect the tax on each one.

The Range of Exemptions

6. Land tax encourages the most economical use of land. When

owners are exempt from land tax they are not constrained to achieve this; on the contrary, as land tax rates rise and cause land to be cheaper, clubs and other exempt organisations will tend all the more to buy prime sites that are above their needs. Many of these bodies could manage quite well with rented premises instead of using their funds for the purchase of property.

BOOK LAUNCH

"Elementary Economics"

by George Charles

Where

Dallas Brooks Hall

When

Tuesday July 9

Time

5.30 p.m. — 8.30 p.m.

Contact (03) 670 2754
for further details

INSIDE:

- Democracy, Economics and Stealing
- Books worth reading
- Dates for your Diaries

(See Back Page)

7. In the case of land used for primary production, exemption of farms from land tax causes them to be overpriced. Farmers can end up paying more by way of higher repayments on their bigger mortgages than if they had bought at lower prices and paid land tax. Exemptions from land tax can also entice farmers into holding for capital gain spare land thus kept from others.
8. The wide range of unjustified exemptions in the Victorian Land Tax Act detracts from its effectiveness and public image. All these exemptions should be eliminated; instead, there should be a Home Owners' Concession as proposed later.

Landlord Arrangements with Tenants

9. Land tax cannot be passed on to tenants in any long-standing sense; to do so would result in an uncompetitive rental. However it is not uncommon for a lease to require the tenant to absorb land tax increases that might arise during currency of the lease. This is wrong; the rise in tax should be borne by the owner who, but for the tax, would have an unearned benefit from the increase in the community-created value of his site. In order to protect tenants and to avoid their misdirected wrath at the Government's land tax increases, the Act should prohibit owners from passing on to tenants any land tax imposed during currency of the lease.

Proposal for Income Tax Rebate and Commonwealth Grant Offset

10. Increased land tax should at least be offset by reductions in other taxes. Eventually the other reductions could heavily outweigh the increases in land tax because of its benefits to the economy including reduced government expenditure. In order to provide a sound offset structure it is proposed that Victoria should establish with the Commonwealth an arrangement whereby:
 - (a) Victorian Land Tax would be allowed as a rebate in Federal income tax returns, to the extent that it exceeds land tax paid in the year prior to introduction of the allowance;
 - (b) The Federal Government would recoup the sum total involved by deducting it from the Commonwealth Grant to Victoria.

11. To the extent that some landowners do not pay enough income tax to claim the proposed rebate of land tax, there will be a gain to the Victorian revenue which can be used for the easing or elimination of other taxes. Because land tax acts as a brake against inflation it would be wise to apply these gains towards the removal of the inflationary Payroll Tax.

(The proposed Home Owners' Concession has been omitted for reasons of space.)

WHY ABOLISH SECTION 42?

Section 42 of the Land Tax Act in Victoria permits landowners to make their tenants liable for land tax. In S.A. the Government has outlawed provisions in leases which permit landlords to make shopkeepers liable for land tax. Mr. Roland Staub in his informative article on Land Tax (*Progress*, Feb. 1991) urges the Victorian Government to do the same. He clearly thinks that abolishing S. 42 will stop landlords passing on land tax increases at will to their tenants.

Yet, considering the way rents are set, others could wonder what good abolishing Section 42 will do. The tenant *only* pays rent – no matter what form it has. And this rent is set commercially. If he pays "outgoings" then he pays less "rent" to compensate this. The tenant is even happy to pay increases; a rise in land tax usually goes with a rise in earnings. The trouble here of course is that this did not happen. Nonetheless, despite the temporary shock, rents did not rise either in Melbourne or in Sydney to absorb the rises in land tax which have occurred in 1990 and in 1991. They were not passed on.

To urge the Victorian Government to abolish S. 42 may win popularity with shopkeepers but can it achieve more than this?

R. Giles,
Enfield, N.S.W.

ADVANTAGES OF LVT

In 1988 two American economists, Daly and Cobb, published a book titled "For the Common Good" in which they examine George's land tax theory in great detail. After describing George as an eccentric, they then adopt this theory as their own and along the way give a description of the city of Pittsburgh.

Pittsburgh levies land tax at a rate of – hold your breath – 12.55% of site value and a tax on buildings of 2.475% as a result of which Pittsburgh is described as the most livable city in America with the lowest housing cost of any major American city.

Why is LVT less destructive than payroll tax?

LVT is positive. It encourages the owner to *employ labour* to make his property produce to its full potential. Payroll tax is negative in that it *discourages employment* of labour. With 500,000 unemployed out there, that is economic madness.

One other fault that renders payroll tax objectionable is the fact that most of it is levied on other taxes, and very little on anything of substance.

Twenty-five per cent of the cost of labour is PAYE tax (conservative?). Sales tax and excise are about 18% of the cost of living hence the level of wages and then there is State and Local Government on top of that. Payroll tax is levied on the lot. More madness.

Today's different world from that of George's time only exists in imagination. The term "great cities" is a relative one. Cities were just as great and just as plentiful relative to the population then as now and the economic system has not changed a bit.

George spells it all out on page 169 of his book "Social Problems" and I quote in part "... the richest family in Europe are the Rothschilds who are bankers and loan jobbers (L. Connell?) ... and Jay Gould got his money ... by bulling and bearing the stock markets (Allan Bond, John Elliot?) ... robbing people with hired lawyers, purchased judges and corrupted legislatures (W.A. Inc.?) ... jugglery with the money system (Keating?) ... *wildcat State banks* ... down to the trade dollar swindle (Westpac/Swiss money?)".

So you see there is nothing new under the sun. LVT came to Britain from Europe in 1066, serving there until 1215 when the land owners seized power from the Crown (for Crown read people).

John Fry,
Whyalla, S.A.,
"Democrats N.J."

WISDOM

Never doubt that a small group of thoughtful committed citizens can change the world. Indeed, it's the only thing that ever has.

Margaret Mead.

BOOKS WORTH READING

CATALYST!

by Steven Cord
115 pp. \$5.00

This sparkling book, which includes Australian experience of the benefits of land value rating, describes how drawing revenue from site values instead of taxing human exertion and its products, stimulates economic development and prosperity. Features include an informative historical background and a list of endorsements by notable people and institutions.

UNEMPLOYMENT, INFLATION AND TAXES ON LAND

by L. Hemingway
152 pp. \$5.00

This book by a Warrnambool (Vic.) medical practitioner describes clearly the connection between unemployment and conditions of land tenure. There is valuable statistical data, and it is clearly shown that unemployment will persist until land rental revenue is adopted.

SOCIAL PROBLEMS

by Henry George
296 pp. \$8.00

This series of essays shows George as social philosopher at his best. His treatment of a variety of topics, e.g. the rights of man; overproduction; public debts and indirect taxation; political dangers – contains much that is as relevant as ever. George's methodology for harmonizing freedom and justice permeates the whole series.

THE LAND QUESTION

by Shirley-Anne Hardy
40 pp. \$2.00

A treatment of the land question, especially with respect to environmental issues. Topics mentioned include multi-nationals; freedom and co-operation; the connection between violence and land monopoly; how the interests of farmers and conservationists can be harmonized.

CANBERRA IN CRISIS

by Frank Brennan
220 pp. \$4.50

A gripping history of the appalling Canberra land sell-out. Essential reading for historians especially showing how a promising experiment in social development was thwarted, and how this can be prevented in future elsewhere. Also of great relevance to urban planning.

MIRROR OF THE NATION'S MIND

by J. F. H. Wright
160 pp. \$7.95

Written by one of Australia's leading authorities on electoral methods, this gives a valuable history of Australian electoral experience, discusses alternative electoral systems, and vigorously expounds the case for multi-member electorates using proportional representation.

RESTORE GOOD GOVERNMENT

by E. P. Middleton
10 pp. \$1 plus postage.

This short booklet by a Georgist residing on Norfolk Island packs in some excellent material. Topics covered include the criteria of good government, and the major role of the revenue system. Considerations of humanity and injustice are included. A variety of important topics are briefly and tellingly dealt with. Overall, this is an excellent introduction to Georgist philosophy, and is strongly commended.

HOW SITE (LAND) VALUE RATING WOULD AFFECT BRUNY ISLAND, TASMANIA.

A Survey conducted for the Municipal Reform Group by Alderman R. B. Excell in conjunction with Bruny Island Council.

Approx. 36 pages. \$2 plus postage.

Bruny Island is a small island off the south-east of Tasmania with a population of several hundred. This booklet provides numerous details – demographic, occupational, building, fiscal, agricultural, etc. and gives details of the rating system, and of how a change to site value rating would affect various classes of properties.

REBEL, PRIEST AND PROPHET

by Stephen Bell
303 pages, foreword, appendix. \$10.

Those who work with the poor often clash with those who govern, as this story of a confrontation a century ago shows. Father McGlynn, supporter of George for mayor and first president of the Anti-Poverty Society, drew visitors from all religions and nations to St. Stephen's New York City. He was excommunicated for his "land philosophy", but reinstated, after Papal investigation, six years later.

WEALTHY WOMEN

Despite recession in Britain, the Queen's personal wealth rose 25 per cent in the past year because of astute investment advice, according to a survey published yesterday. ("Canberra Times", 5/2/91)

And if 1991 is a bad investment year for the Queen, with a mere 10 per cent return, it is estimated she will still earn just over £1.8 million (\$A4.54 million) a day. The Queen, with assets of £6.6 billion (\$A16.7 billion), is the world's richest woman in the top 20 survey by *Harpers and Queen* magazine.

All Crown assets were left out of the calculations because they are not the monarch's to sell.

For that reason Queen Beatrix of the Netherlands, who would otherwise rank third with \$A6.3 billion, was not rated among the most wealthy women.

The bulk of Queen Elizabeth's private fortune is made up of a portfolio of blue-chip stocks, with the balance accounted for by private houses and personal possessions.

"Rising prices for top-of-the-line jewellery and winning racehorses at stud have helped underlying asset values at the House of Windsor," says the magazine, "but most helpful of all is the Queen's exemption from taxes."

The former first lady of the Philippines, Imelda Marcos, is ranked the third-richest woman despite the seizure of much of her wealth. Mrs. Marcos, who was found not guilty in New York on racketeering and fraud charges last year, is estimated to have property shares and an art collection valued at \$A3.79 billion.

Only one of the women, German mail-order tycoon Grete Schickedanz, ranked 10th with \$A2.27 billion, can be said to have made it to the top with her own entrepreneurial skills.

QUESTION

If you tax buildings, you'll have fewer buildings. If you tax wages, you'll have less take-home pay and fewer jobs; tax retail sales and you'll have less retail sales. But if you tax land, will you have less land?

U.S. "Incentive Taxation",
Jan.-Feb. 1991.

The average person has five senses: touch, taste, sight, smell and hearing. The successful have two more: horse and common.

PRESS LETTERS

REMEDY FOR ECONOMIC ILLS

Those telling us what is wrong with Oz, e.g. Michael Dack, C.T. Dec. 6 re shortage of engineers, conveniently forget that we are irrevocably(?) hooked on capital gains at expense of all who produce the vast share of wealth thus purloined.

Enormous unearned wealth in land and other monopolies is therefore protected in private hands from meaningful tax, stimulating still more greed for it. No alternative exists but to tax those who produce the wealth – and then to bandaïd the “unintended(?) consequences” of such taxes with more of the same, ad infinitum to banana-republic status.

We are then told the effects are what is wrong! All skills, inter alia, are costly to produce, including ever-increasing production taxes, and will continue to run down as they have for the last thirty years whilst Oz land taxes have been whittled away.

Extreme interest rates have become the last straw for many producing businesses and their producing employees. Unlike earlier bankrupts and unemployed they had overcome heavy production taxes, weak after-tax Oz consumer demand (dictating more risky exports and cheaper, lower-taxed imports) and the merely high interest rates provoked by excess borrowing to gear-up capital gains on minimum equity. Then interest rates became disastrously fashionable to reduce imports!

A better Christmas present for Oz than a \$12 wage rise would be the replacement of all payroll taxes with just one percent land value tax (LVT) on all rateable land. Everyone would benefit!

Bill Mason.

Sent to “Canberra Times”,
in December 1990.

MAKE VFT RENT LAND

Sir, In “Land looms as difficulty for VFT project” (AFR, February 11) it is said that “since the VFT would increase the value of land, it should have the benefit of some of that increase”.

At first this appears true. But, think further. Is it not *where* the track is to be built, on a strip of land joining our largest cities, that will increase land values? It is only the site of the track

that makes the VFT worth the effort.

Certainly the track can be more than paid for by rising land values along the way. Then why do not the governments concerned finance it that way? If they did, the site would be public land (and so no constitutional problem), profiteering from rising land values would be impossible, and the rent of the track would counteract the monopoly that will be created.

All these good effects would be gained from one cause. And, if the government can finance one project of public importance by a site rent, why does it not finance all its activities that way?

Richard Giles,
The Association for Good
Government,
Redfern, N.S.W.
“Australian Financial Review”,
19/2/91.

RUSSIANS' CHANCE

Isn't it remarkable that in 1990 the leaders of the USSR and Eastern Europe were again grappling with the question of land ownership?

In 1908 Leo Tolstoy urged Russia to adopt the principles of land value taxation and ownership of Henry George to solve some of its economic and social justice problems: “The government officials are not doing the only thing that would pacify the people at once. And the only thing that would pacify the people is the introduction of the system of Henry George.”

Eighty years after his plea, the Russians have another opportunity.

R. B. Excell,
The Henry George League,
(Tasmanian Division), West Hobart.
“Regional Progress” 30/3/91.

ACHIEVE PROSPERITY?

I've grown accustomed over the years to reading pep-talks by supposed experts in The Canberra Times about how we must all work harder and more cleverly to increase production and prosperity for all.

For all? Hardly!

Will you kindly ask the next such guru in your queue to tell us, please, what has happened to enormous past production increases, particularly since

the Industrial Revolution?

When most have been traced to their destination in unearned monopoly profits, rent increses and capital gains, perhaps your next guru might even explain then how we can simply avoid this diversion and all enjoy prosperity.

That would really be clever, particularly if Messrs. Hawke and Button were told.

B. Mason,
Pearce, A.C.T.
submitted to
“The Canberra Times”.

MEDIA PUBLICITY

Dr. Les Hemingway of Warrnambool, Vic., author of the excellent book “Rent as Revenue”, recently had three half-hour appearances on his local FM radio station. A full-page feature in the “Warrnambool Standard” of April 6 gave a good coverage of his views on economics.

LETTER TO A POLITICIAN

The Honourable James H Scheuer
Representative from New York State
c/o House of Representatives
Washington D.C. 20515, U.S.A.

Reference HR 531 – The Emerging
Telecommunications Technologies Act
of 1991

I am writing to you as an expatriate American citizen concerning the above Act.

Although the last time I voted was as an expat in New York for Jimmy Carter, I still have a keen interest in bringing some sense into the current system of spectrum allocation for television, radio and other telecommunication matters.

As a Georgist, I am convinced that the natural resources of any nation belong to all the people of that nation and should be paid for as a tax on any individual or company that wishes to exploit such natural resources. To stress the iniquity of *not* charging for television franchises, licenses or use of the air waves, I always remember the expression used by the Canadian Press Baron, Roy Thompson, (later Lord Thompson of Fleet) who said, upon winning a television franchise in the United Kingdom, “a T.V. franchise is a license to print money”.

The collection by the community of the economic rent of all land including the value of the continents, the seas, the rivers and all other sub-soil, soil and super-soil elements commonly called land, sea and air, is the fundamental and basic tax policy plank that your Party must champion. It is the plank it must nail into place if it is to stay in the main a radical, Democratic and progressive Party. I therefore urge you to ensure that only leaseholds rather than permanent licenses are provided for in HR 531 to ensure that the Government recoups some of the valuable wealth that is generated by the franchising of the air waves. I trust that you will see that justice is done.

H. I. Meyer,
London.

ECOLOGY AND ECONOMICS

To The Executive Director,
Greenpeace Australia.

I have recently read the joint press release of 15 August and submission to the Commonwealth Government: "Ecologically Sustainable Development", edited for major environment organisations, including yours, by W. L. Hare. May I make a criticism, please?

Although stated on page vii to be "... integrating ecological and economic considerations" I find that there is no economic analysis of the present enormous dynamic which is dictating the rape of the universe in our corner of it, let alone any strategy to defeat it. Whilst it continues, the desirability of saving the environment, spelt out in so many aspects in the submission, just cannot translate into effective action against the threat to livelihood it poses. The common term for this, I believe, is a "wish list".

Whilst this is quite understandable, given the pervasive censorship about the real dynamic force at work, I hope that the environmental movements may become open to the facts, however much initial prejudice has been subtly fabricated against them throughout society. The existence of such force is at least acknowledged on page x: "the economic and social forces which are driving the depletion of natural resources ..." whilst the suggested "... increasing prices for resource inputs" (page xi) is on the right track, once it can be made politically possible, e.g. without logger trucks besieging Parliament House to maintain a livelihood not elsewhere available.

Would you care to examine my own submission on the same matter, copy enclosed, and let me have your

comments as to whether we need land value tax (LVT), followed later perhaps by substantial resource extraction royalties, to achieve our common objectives?

The Australian Democrats have adopted LVT policy with family farm and home exemptions. The ALP, which has had such a policy since its formation last century, finally eliminated all exemptions on Clyde Cameron's motion in 1957. This has never been rescinded, merely "forgotten" in the 1964 and subsequent policy platform updates! You could profitably check out my submission with Clyde, or, I am sure, with AD Senators Coulter or McLean.

Bill Mason.

Similar to:
Executive Director, Australian Conservation Foundation
Director, World Wide Fund for Nature (Aust.)
Director, the Wilderness Society.

THE THIRD WAY

Latest United Nations statistics indicate that over this century Australia has slipped from the world's most egalitarian country, with the highest income per head to the least egalitarian of any developed country, and below more than 20 other countries in income per head.

How has this happened?

Mainly through the imposition of increasingly regressive taxes by a succession of Labor and non-Labor Governments pandering to the pleas of vested interests rather than meeting the needs of the great majority of skilled blue and white collar income earners totally dependent on their hard work and thrift.

The only revenue base that exempts hard work and thrift from taxation is collection of the ground rent from those in monopoly ownership and control of scarce resources, particularly land.

Ground rent comprises a third of the natural income, but pays only five per cent taxes.

Both the Labor Government and the Opposition have ignored the recommendation of the National Priorities Review Committee to tax land, and instead seem hell-bent on loading ever more regressive taxation on the backs of the hardworking and thrifty. Labor now advocates taxing capital gains on all homes, and the Opposition, through its Shadow Treasurer, keeps pushing for a consumption tax and a single flat rate income tax.

Alleged tax reforms by the Hawke Government reduced average rates of income tax on those earning between \$1 million and \$200 million a year to around 30 per cent, the marginal tax rate payable by a person earning as little as \$340 per week.

The richest one per cent of Australians now own three times the wealth of the poorest 50 per cent. Concessions to big investors since 1982-83 have doubled the share of dividends and rents received by those on incomes of \$50,000 a year and over.

The table below shows how the top one per cent of taxpayers have benefited from dividend imputation, negative gearing, and other tax handouts to the rich, since the election of the Hawke Government in 1983.

	1982/83	1988/89
No. of Taxpayers earning \$50,000 a year and over	61,000	79,000
% of all taxpayers	1%	1%
They earned as much as		
No. of Taxpayers	672,000	1,666,000
% of all taxpayers	11%	21%
Income source of top 1%		
	1982/83	1988/89
	%	%
Salaries	53	31
Partnership and trusts	21	26
Interest	12	16
Dividend, rent and other	14	27
	100	100

The only way of tax reform is the Third Way advocated by T.R.A.: abolition of *all taxes* by the collection of site value revenues.

Morris Williams,
President,
Tax Reform Australia

VIDEO

Tax Reform Australia has a top-class 35-minute video "The Third Way", produced by a professional, and dealing clearly with fundamental economic issues. Available at \$15 plus postage, or for hire at \$10 plus postage.

VOLUNTEERS WANTED

Help is needed for addressing envelopes etc. for sending out the Georgist message. Contact the Hardware Street office if you can help. Please indicate the time or times when you would be available.

DEMOCRACY, ECONOMICS AND STEALING

by S. S. Gilchrist

Two Concepts in Economics

For as long as history reaches back, we can see two main concepts in economics. One is the obtaining of satisfaction by productive effort, together with the exchange of the results of various people's efforts.

The other concept is the obtaining of satisfaction by stealing the results of other people's efforts. The word stealing here includes robbery by force and threat, robbery by stealth, fraud and deceit, embezzlement, blackmail, insider trading and slavery; it also includes unearned satisfactions obtained by government-granted privilege.

Exchanging

The basic exchange is the swapping of the result of one person's efforts with the results of another's efforts.

Positive Sum Transactions, Both Gain

Exchanges occur because each party to the exchange expects to get more satisfaction from what each receives, than from what each hands over. Both parties gain in satisfaction.

All sorts of things are exchanged: goods, services, loans, "futures", privileges, registrations, goodwill, even slaves at one time. Money is involved in most exchanges.

Because both parties gain, these transactions are POSITIVE-SUM. The gains in uncoerced exchanging are greatly enhanced, as suggested by Adam Smith, through specialisation and division of labour. They are further enhanced by open markets with free competition, and by the results of mass production, technology, and use of transport and capital tools.

The overall effect of the stealing transaction

Economists do not seem to consider this aspect, but almost invariably the gain to even the successful robber is *outweighed* by the distress and *loss* of satisfaction of the victims. Sometimes it may appear that there is little loss, because it may be spread over a large number of victims, but that is a false impression. One may imagine some trivial cases where an individual may gain more than the victim loses, such as the penniless widow, with two starving children, who steals a loaf of bread. Some thieves are unsuccessful

and may suffer severely, even some high-flying entrepreneurs as well as their victims.

Negative Sum

It has been observed by wise men that stealing is an uneconomic negative sum transaction. There is an overall *loss* in satisfaction when all concerned are taken into account. The poorest community one can imagine is where everyone concentrates their efforts on stealing, with perhaps some effort on trying to prevent themselves being robbed.

"Thou Shalt Not Steal"

From before the time of Moses, civilizations had observed that stealing was uneconomic; Moses brought down the Commandment from Mt. Sinai, "Thou Shalt Not Steal", and it is the most important economic slogan. If stealing was a positive sum transaction we could all be rich by robbing each other.

The Slogan Ignored

Even though wise men continued to teach that stealing was uneconomic, there were sections of the community who ignored it. The strong, the greedy, the ruthless and ambitious tended (as they still do) to rob and to exploit the more productive folk.

Education for Democracy

Our philosophers, economists, academics, moralists and religious leaders and rationalists are failing to teach that stealing is uneconomic and continues to be so even when governments make laws which authorise stealing by taxes and privilege.

Occasionally some groups complain that tariffs or subsidies for some other group are not acts of good government; but virtually no-one gets up and calls for all privileges to be removed, even though we are all suffering because of them. Nearly every transaction in our "economy" consists of a mixture of proper exchange and stealing.

The natural gains of free exchange are severely reduced by taxes and privileges. When the negative sum effect exceeds the positive for some people, the transaction does not occur. Sales are reduced because the price is too high. Production is then reduced and unemployment and poverty result. The general standard of living is reduced for all. Virtually every

transaction now has an element of stealing and an element of exchanging.

Why?

Why are we all misinformed, brain-washed and uneducated about the basics of good government? It is a human dilemma.

Although humans have more power to foresee problems than all other animals (which rely on instinct), humans, in voting governments into power, nearly always vote for candidates who promise to issue and maintain privilege, which is a polite way of saying promising to steal.

Communism

It is not merely democracy which is failing to elect good government. Nearly all revolutions of a violent nature have occurred because of "exploitation" of the many by the few. Seldom do the successful revolutionaries install a good government. Mobs are usually betrayed by their leaders. Communism fails because it relies on the police force to steal all production (satisfactions) from the producers and arbitrarily to "redistribute" (which is what a burglar does). The lack of incentive for producers to act efficiently in such conditions is obvious and the risks of errors and corruptions in the "redistribution" are also clear. Although reports in our conservative press may be a little biased, it seems clear that both production and income per person is very low; in fact *low* incomes are guaranteed for all except perhaps the ruling bureaucracy. The regime is clearly based on robbing "from each according to his ability".

Enterprise System – The Partial Failure

The enterprise system continues to give a better standard of living *on the average* for most of the community, but continues to cause poverty to the most "disadvantaged" groups. What disadvantages them?

Our system works to a considerable extent on an exchange system, but not completely so. It contains many laws which are robbery, by means of taxes and privilege.

The reader is no doubt considering how such laws affect him, either for or against. Unless he/(she) is a landless, unemployed poverty-stricken person, he will find almost certainly he holds

some sort of privilege either directly or through his employment, or through his 'sport or entertainment.

What most people fail to understand is the cost they are bearing for other peoples' (able-bodied people) benefits. We are all suffering from robbing each other!

Our moralists and economists foolishly still say our taxes should be according to our "ability to pay", just as for communism. It is the burglar's philosophy. Stealing by the community is uneconomic.

What is the Alternative?

Firstly, all acts of parliament which give special privilege to any group (of able-bodied people) at the expense of the community should be rescinded. This may need to be done gradually to allow people to adjust. For instance, tariffs could be lowered *gradually* as could grants, subsidies and bounties. Subsidies and special tax exemptions for some industries could be gradually removed. All government rents should be raised to their reasonable market level in stages.

Secondly, the tax system should gradually be altered to collect more revenue in relation to the value of sites and resources held by private people. This means all land, including vacant land, primary production land, all residential, commercial and industrial land. The change should be made slowly. It is essential that the gradually increasing revenue from site value be used to reduce other taxes. It would be well to start off at the State level with State Land Tax, which should be at a uniform rate without any threshold; and to reduce State Payroll Tax, which is an extremely uneconomic tax. In NSW in 1988, employers were fined \$1,600 million for employing people! How many more could they have employed if they had not been penalised so severely? The tax obviously reduces the return to the producers, it puts up the cost of labour and puts up the prices to consumers. This makes it harder to compete, and sales are lost, particularly

in competition with overseas. No wonder there is less production and more unemployment and adverse trade balance. Other taxes such as Sales Tax, Stamp Duties, Finance Taxes have the same deterrent effect on the transactions which are the basis for economic activity.

Site value taxation does *not* increase the cost of goods and services. Economic text books emphasize that. It acts as an incentive to prosperous activity. Site value taxation is not stealing. It is not a tax on production or exchange. It relates to the benefit provided by the community for the hereditary privilege of exclusive occupation.

Gradual

No sudden change is proposed, and no overall increase in revenue; just a steady *change in type of taxation*.

There would be an immediate beneficial effect. Investors would at once tend to invest less in holding titles to land unless they intended to use it at close to its reasonably full capacity (whether in city or country). The reduction in taxes (and expected further reductions) related to production and transactions, would make it more profitable to invest in capital improvements, buildings machinery, etc.

Prices of produced goods and services would be reduced without losing profitability. Sales and production would increase. With lower prices there would be less pressure for wage increases. There would be more employment opportunity and less need for doles and welfare, which would in turn allow a further reduction in the deterrent taxes. Overseas investors would invest more in improvement capital and be less inclined to buy up our land.

Land Rights

If we are to recognise rights, we must recognise that everyone has equal rights to live on the earth. In regard to land and resources, we therefore must recognise equal land rights. If that equal opportunity to live on the earth is not

accepted, then clearly some have legal advantages over others, which we have agreed is stealing and is uneconomic.

Any inequality in land tenure can be equalised almost completely by gradually increasing site value taxation, which also permits the reduction of the injustice and infringement of human rights involved in taxes which are imposed merely because "money can be seen to be available".

We need to recognise that land rights should be *equal*. They should not be based on hereditary privilege maintained by government, nor indeed be related to where your ancestors lived and how long they lived there.

Summary

There is an urgent need for our leading academics and politicians and clergy to teach that privilege and stealing and bad taxes are killing the enterprise system, which otherwise would be able to provide prosperity for all. Calling for increased welfare will only cause increased poverty, as seen in Communist countries.

(abridged)

A.C.T. ELECTORAL PLAN STINKS

In the wheeling and dealing over the A.C.T. electoral system, principle has been abandoned for self-interest. The Federal Parliament gave us modified d'Hondt, which has been thoroughly discredited. Unmodified d'Hondt or d'Hondt in any form is unacceptable, unwanted and undesirable in practice and principle.

The A.C.T. electoral system has seen federal politicians at their grubbiest. Few, if any, have worked for what is fair and appropriate for the A.C.T. Instead, they have worked for what suits their party or the best compromise they can get away with.

The latest proposal by the federal Minister for Territories, David Simmons, very simply, stinks. He wants a straight d'Hondt system for the next election and then to turn the power over

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the electoral system to the A.C.T. How very cosy for the Labor Party! They get a free ride at the February, 1992 election with a system biased towards major parties which will ensure a Labor victory.

The pure d'Hondt system proposed by Mr Simmons is a shocker. It denies the right of voters to express preferences, hence effectively, disenfranchising many who would vote for independents or worse, coercing them into voting for a major party for fear of wasting their vote. It also loads the vote in favour of parties gaining more than 30 per cent of the vote. Those parties get a far higher proportion of seats than their vote warrants. (The wasted votes for minor parties and independents have to go somewhere.)

If a referendum is held, *The Canberra Times* believes that the Tasmanian Hare-Clark system offers the best hope for a fair and effective electoral system. Three, five-member electorates would do. When we get a third federal seat the electorates could follow those boundaries. Australia-wide, a single-member system is workable, but in a small homogeneous place like the A.C.T. a single-member system will inevitably result in the larger major party (presumably Labor), getting 16 or 17 of the 17 seats. Tasmania (also small and homogeneous) has a similar problem and has overcome it with Hare-Clark at the state level. At the federal level, which is single-member, one of the two major parties has held all or all but one

of the Tasmanian seats for almost 20 years. This example is salutary. Having little or no Opposition is a dangerous, corrupting thing.

"Canberra Times", 21/2/91.

CONSISTENT LIBERALISM. POLICIES FOR A BETTER TOMORROW
by George Hardy
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This book presents genuine liberalism, as against a spurious liberalism tainted by monopoly and privilege. There are many references to pressing contemporary issues, together with much valuable statistical data. An admirable blend of sound social philosophy and realistic practical proposals.

DATES FOR YOUR DIARY

- Lunch-hour videos, Series, 12.30 p.m. 1st Monday of month.
- Executive Meeting: 7.30 p.m., Thursday, July 11th.
- Launch of "Elementary Economics" written by George Charles – Tuesday, July 9, 5.00 p.m.- 8.30 p.m. Dallas Brooks Hall.
- Discussion night "The Devil's Advocate" 7.30 p.m. Wednesday, August 14.

DEADLINE FOR PROGRESS: Noon on 12th of previous month.

The views expressed in articles are those of the writers and not necessarily of Tax Reform Australia Inc.

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